

PRESIDENTIAL TRANSITION “HOT ISSUES” INFORMATION PAPER

SUBJECT: *Category Management*

1. BACKGROUND:

a. General Background:

- GSA, with Office of Management and Budget (OMB) sponsorship, is managing a category management initiative that will enhance collaboration and cooperation in acquisition activities across government.
- Category management is an approach the federal government is applying to buy smarter and more like a single enterprise, which enables the government to eliminate redundancies, increase efficiency, and deliver more value and savings from its acquisition programs. Category management involves identifying core areas of spend, developing heightened levels of expertise, leveraging shared best practices, providing streamlined solutions for acquisition, and managing supply and demand.
- Category management is identified as one of 15 Cross Agency Priority (CAP) goals, a tool used by leadership to accelerate progress on a limited number of presidential priority areas where implementation requires active collaboration between multiple agencies.
- In its sponsorship capacity, OMB sets the program’s strategic policy direction, and issues category-management-related guidance and directives to agencies. It has rolled-out government-wide metrics, goals and reporting requirements for the agencies, and monitors their ongoing category management progress and performance. OMB played a key role in determining the Category Management Leadership Council (CMLC) charter and membership and in approving the agencies where the Category Managers will reside, and was an active participant in the selection and approval process of category managers.
- Category management efforts span government-wide, with representation across nearly 50 agencies, and encompassing more than \$270 billion a year in spending. GSA executives serve as category managers that lead six of the 10 identified categories, addressing \$202B (FY15) of federal spending.
- The 10 identified categories, with the respective agencies that lead the government-wide efforts, are:

Category	Lead
Facilities & Construction	GSA (Mary Ruwwe)
Human Capital	OPM (Rich Vinnacombe)
Industrial Products & Services	GSA (George Prochaska)
IT	GSA (Mary Davie)
Medical	DoD (Karen Guice) and VA (David Shulkin)
Office Management	GSA (Greg Hammond)
Professional Services	GSA (Tiffany Hixson)
Security & Protection	DHS (Jaclyn Smyth)
Transportation & Logistics Services	DoD (Lisa Roberts)
Travel	GSA (Timothy Burke)

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- The Category Management Intelligence Program Management Office, which resides in GSA, provides overall program management support to category managers and their teams, and facilitates the development and implementation of business rules, supply chain management strategies, and processes.
- Since 2010, the government has realized over \$2 billion in savings by driving smarter buying practices through category management. Initial plans across the 10 government-wide categories are expected to generate an additional \$610M in savings over the next year and a total of up to \$7.2 billion in savings and cost avoidance through FY18, according to OMB CAP Goals.

b. Issues:

- Category management is important to GSA because it embodies the agency’s mission. GSA was established to drive efficiencies in government operations, and the Federal Acquisition Service (FAS) was created to develop acquisition strategies that can be used across government to save taxpayers money. The category management strategies being developed for government-wide use are expected to drive significant business volume to interagency acquisition solutions like those FAS owns while generating billions of dollars in savings and cost avoidance. The increased business volume for FAS ties directly to FAS’s measures of success as a business; and moreover, the operational efficiencies category management generates tie directly to the successful execution of GSA’s mission.
- Category management has gained momentum since the program was initiated in December 2014. However, for government agencies and taxpayers to realize the full benefits and savings that can be achieved by managing spending across all government agencies, category management needs to be institutionalized as an acquisition best practice and engrained into the federal government’s culture of purchasing. Initial efforts demonstrate that there is substantial value and savings to be gained from a new purchasing paradigm that moves from managing purchases and price individually, across thousands of procurement units, to managing entire categories of common spend and total cost through category management - but the program needs long-term commitment by government agencies and the Administration to maximize the potential.

2. **SCOPE AND EFFECT:**

a. Impact on GSA’s customers:

- For **businesses**: Category management will increase opportunities for businesses by facilitating a level playing field, increasing transparency, and cultivating a more educated and informed government buyer.
- For **small businesses**: The well-being of the small business community remains a primary consideration for GSA in the context of category management, and working with small businesses continues to be a top focus for the federal government. Maintaining or improving small business participation will continue to be a high priority, and is one of the key metrics that GSA and the Office of Management and Budget (OMB) are using to gauge the progress and success of the category management initiative.

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- For **taxpayers**: Category management should encourage competition and transparency, make buying smarter, and build a stronger government. This will drive better decisions and better results, which ultimately benefits taxpayers.
- For **acquisition professionals** (program managers, contracting officers, program leads, etc.): Category management enables development of a more specialized acquisition workforce that improves alignment between acquisition and strategy. Access to data and market intelligence helps them do their jobs more effectively. Acquisition professionals will access this information through the Acquisition Gateway.
- For industry partners:
 - **Better requirements and more consistent behavior.** Sharing of best practices, increased collaboration with suppliers, and an alignment of buying behavior across agencies.
 - **Reduced burdens.** Reduces fragmentation and duplication in government buying, leading directly to reducing waste and large overhead costs on the part of our industry partners.
 - **Opportunity to boost innovation.** Minimizes impediments related to how we buy goods and services from suppliers.
 - **Better data and increased transparency.** Data and situational awareness sit at the foundation of any category management program, and improved data analytics will help the government make better buying decisions. This improved situation increases transparency, which builds trust and contributes to collaboration critical to improving government-supplier relationships.

3. ACTION(S) PLANNED OR REQUIRED:

FY17 Category Management Program activities include:

- Define and implement V2.0 category plans with defined CAP-goal targets:
 - Achieve Tier-3 spend under management (SUM) CAP goal of \$40.8 billion.
 - Identify and receive credit for savings, achieving CAP goal of \$5.2 billion in savings.
 - Achieve contract reduction CAP goal of 10% against the baseline of \$717K in FY15.
- Develop agency-engagement strategies that involve gaining consensus and agreement from agencies to change behavior, drive utilization of preferred /best-in-class vehicles, aggressively adopt OMB policies, etc.
- Small business
 - Improve or maintain small business utilization percentages in each category.
 - Identify strategies and plays that articulate a meaningful approach to defining and maintaining small business markets that work, are 'healthy,' and are sustainable.
- Establish the Analytic Pipeline (AP) as the predominant platform for analyzing federal government spend on a government-wide basis, including for FAS's own use.
 - Ingest new data sources that improve the richness and accuracy of comprehensive spend analysis, to include:
- Improve categorization and classification of transactions/spend, including implementation of relevant KPIs and dashboards.
- Build a program to establish capabilities in the areas of supplier-relationship management, market intelligence and benchmarking.
- Achieve Acquisition Gateway CAP Goal of 15,000 unique registrants.

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4. KEY STAKEHOLDER INTEREST:

- The CMLC principals, whom play an important role in shaping the direction of the effort, represent DoD, DoE, HHS, DHS, VA, GSA, and NASA.
- Category managers, representing the following agencies: OMB, GSA, DHS, OPM, DoD, VA.
- The head of each of the 24 Chief Financial Officer departments and agencies, and their designated CMLC Lead, whom coordinates their agency's participation in government-wide category management efforts.
- The Category Management Program Management Office, which provides overall program management support to category managers and their teams, and facilitates the development and implementation of business rules and processes.
- Industry - current suppliers and potential vendors, including business of all sizes.

5. FISCAL YEAR 2017/2018 BUDGET IMPACT:

- Expenses associated with the PMO are funded through the Acquisition Services Fund (ASF), and have been granted on the basis that resulting increases in FAS business volume will generate ASF revenues that more than make up for the expenditures.
- Overall, the category management effort is projected to yield \$7.2 billion in savings and cost avoidance governmentt-wide thru FY18, based on OMB CAP Goals.